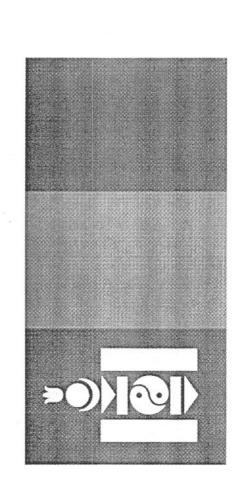
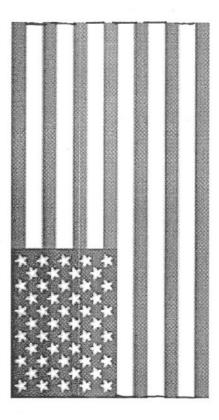
# Expanding Mongolia's Export Opportunities through GSP

Office of the U.S. Trade Representative

March 2007





### Today's Discussion

- □ U.S. imports from Mongolia's under GSP
- Mongolia and the Generalized System of Preferences (GSP) Program
- ☐ How to increase Mongolia's use of GSP duty-free opportunities

#### GSP Program

- □ Created by Congress in 1974; renewed through 2008.
- □ Creates opportunities in 134 countries, while expanding choices for U.S. industries & consumers.
- □ Provides duty-free treatment for 3,400 products for all, plus 1400 more products from LDCs.
- ☐ GSP imports increasing: \$32.6 billion in 2006, up 22% over 2005.

#### U.S. Imports from Mongolia Under GSP in 2006

- □ 530,116 (227% increase over 2005)
- □ 5 types of products
- □ Small amount of all U.S. imports from Mongolia (0.5% of \$113m)
- □ Mongolia's GSP utilization 58% of potential benefits in 2006. (GSP overall average is 71%).

### U.S. Imports from Mongolia Under GSP (2006)

- □ Tungsten concentrates (MFN rate: 1.7%): \$367,176
- □ Plastic hangers (3%): \$146,614
- □ Plastic household and toilet articles (3.4%): \$14,173
- □ Plastic articles of apparel & accessories (5%): \$2,804
- □ Headgear of fur (3.3%): \$349

#### Which Products are Eligible for Duty-Free GSP Treatment?

- Eligible: most dutiable manufactures and inputs for manufactured items; certain agricultural, fishery, and primary industrial products (metals, chemicals, derivatives).
- Not eligible: certain textiles, watches, certain footwear and handbags, luggage, flat goods not made of silk, work gloves, and certain leather apparel.

#### How Exports Qualify for GSP Duty-Free Treatment

- 1. On list of GSP-eligible articles.
- 2. Imported directly from Mongolia or pass through another country in a sealed container.
- 3. Be growth or product of Mongolia, or if product uses imported inputs, product must meet 35% value-added and transformation rules.
- 4. An "A", "A+", or A\* is written before the tariff number on U.S. customs form.

A: from all beneficiaries; A+: from LDCs; A\*: one or more countries excluded from GSP treatment.

#### Rules of Origin

- □ Sum of imported materials' cost or value, plus direct costs of processing, must equal at least 35% of the product's value when sold into the United States.
- ☐ Imported inputs must be "substantially transformed" in Mongolia to produce or manufacture the product. "Substantially transformed" means the U.S. would classify them as different items.

### Ensure GSP Duty-free Entry into the U.S.

Importer must place an "A," "A\*," or "A+" in front of the HTSUS tariff number on the summary U.S. customs entry form, Line 27.

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#### Increasing Use of GSP Benefits

- 1. Ensure products are getting GSP dutyfree treatment when eligible.
- 2. Increase exports of GSP-eligible textile and apparel products.
- Identify Mongolia's exports to other countries that are GSP-eligible.
- 4. Identify other potential exports
- 5. Enter into a certified handicraft arrangement.

### Ensure GSP Treatment is Claimed for All Eligible Products

- ☐ U.S. imported \$912,435 in GSP-eligible products from Mongolia in 2006.
- □ BUT, \$382,319 (42%) of those imports (19 product categories in 2003-2006) did NOT receive GSP duty-free treatment.
- □ Maybe products didn't meet rules of origin
- □ But if they did importers paid duties as high as 7% (national flags) unnecessarily.

#### GSP-eligible Imports with Largest Trade but Lowest Percentages Claimed under GSP

- Certain plastic articles for packing goods, including sacks and bags (MFN Rate 3%): 50.3% of \$290,000 in U.S. imports
- □ Plastic articles of apparel and accessories (5%): 21.6% of \$13,000 in U.S. imports
- □ Wool or fine animal hair fibers (0.7%): None of the \$45,600 in U.S. imports
- □ Parts of gas and electricity meters (3.2%): None of \$75,600 in U.S. imports
- □ Parts of electrical machines (2.6%): None of the \$35,000 in U.S. imports

### Increase GSP-eligible textile and apparel exports: cashmere

- □ 51031000: Noils of wool or of fine animal hair (0.4%)
   □ 51032000: Other waste of wool or of fine animal hair, (2.6 cents per kg)
- □ 57025120: Floor coverings (hand-woven and not of pile construction) (4.3%)
- 57031020: Tufted hand-hooked carpets & other floor coverings of wool or fine animal hair (6%)
- □ 51161008: Sports gloves, mitts, and mittens (2.8%)

### Increase GSP-eligible textile and apparel exports: cashmere

- 63049940: Certified hand-loomed and folklore wall hangings of wool or fine animal hair
- 63049910: Certified hand-loomed and folklore pillow covers of wool or fine animal hair
- 65069900: Headgear of materials other than rubber, plastics, or furskins, whether or not lined or trimmed

### Increase GSP-eligible textile and apparel exports: fur

- 65010060: Hat forms, bodies and hoods of fur felt for women or girls
- □ 65069200: Headgear of furskin, wether or not lined or trimmed

### Increase GSP-eligible textile & apparel exports: cashmere blend

These products would have to, according to the HTSUS product description, contain 70% or more of silk or silk waste, so technically could be blended with up to 30% or less cashmere:

- 61171040 Shawls, scarves, etc. knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 61178085 Headbands, ponytail holders & similar articles, of textile materials other than containing 70% or more by weight of silk knitted or crocheted
- 62131010 Handkerchiefs, not knitted or crocheted, containing 70% or more by weight of silk or silk waste

### Increase GSP-eligible textile & apparel exports: cashmere blend

- 62141010 Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
   62171085 Headbands, ponytail holders &
- 62171085 Headbands, ponytail holders & similar articles, of textile materials other than containing less than 70% by weight of silk knitted or crocheted
- 62043960 Women's or girls' suit-type jackets and blazer, not knitted or crocheted, containing 70% or more by weight of silk or silk waste
- 62044910 Women's or girls' dresses, not knitted or crocheted, containing 70% or more by weight of silk or silk waste

### Consider exporting more products to the U.S. duty-free under GSP

Mongolia exports these U.S. GSP-eligible products to the EU and Japan, but little or none to the U.S.: □ 611693: Certain knitted/crocheted synthetic fiber gloves and mittens (9.7%) **640590: Disposable footwear (8.2%)** 630499: Non-knitted/non-crocheted textile wall hangings and pillow covers (7.5%) 382311: Stearic acid (for soaps, cosmetics, candles, oil pastels) (7.0%) 390760: Polyethylene terephthalate (raw material for manmade fibers) (6.5%) **□** 390610: Polymethyl methacrylate (glass substitute) (6.3%)

### Consider exporting more products to the U.S. duty-free under GSP

- □ 280469: Silicon (5.4%)
- □ 430230: Tanned/dressed whole or pieced fur skins (5.3%)
- □ 340211: Certain organic cleaning agents (4.7%)
- □ 392690: Plastic buckets, pacifiers, boat parts, handbags, fake gemstones, slide mounts, belts, clothespins, inflatables, document binders, etc. (2.8-6.5%)

### Consider exporting more products to the U.S. duty-free under GSP

- □ 441820, 441900, & 442190: Wood doors, tableware, kitchenware, blinds, shutters, ice cream sticks, etc. (3.1- 4.8%)
   □ 720299: Ferroalloys (4.7%)
   □ 848180: Pipe taps, valves, etc. (3.7%)
   □ 850780: Storage batteries (3.4%)
   □ 410791: Certain bovine leather (3.2%)
   □ 210410: Soups, broths & prep (3.2%)
   □ 711790: Misc. imitation jewelry (3.2%)
- □ 510320: Noils & other wool/fine animal hair waste (3.0%)

## Consider exporting industrial products to the U.S. duty-free under GSP

Copper ores, concentrates, oxides, sulfate and products of copper
 Tungsten concentrates, oxides, products
 Ash and residues containing mainly zinc or tungsten
 Distillates of high-temperature coal tar
 Molybdenum: oxides, chemical mixtures, bars, rods, wires, planes, chisels
 Tin: chemicals, alloys, many products

**Gold: compounds and jewelry** 

#### Export Mongolia's competitive GSPeligible products in the U.S. market

□ Bovine and equine leather □ Copper ores and concentrates Gold in semi-manufactured forms □ Other minerals (earlier slide) □ Preserved meat and offal of bovine animals □ Raw hides and skins of bovine/equine animals □ Wool, not carded or combed □ "Food, beverages, and tobacco"

#### Conclude GSP Certified Textile Handicraft Arrangement

- Certain textile hand-loomed and folklore products will become eligible for GSP duty-free treatment:
  - wall hangings
  - pillow covers
  - certain textile floor coverings
- How? When U.S. and Mongolia complete the exchange letters that indicate Mongolia will provide necessary certification (stamp by identified individuals) that items are hand-made and folkloric.

#### For Further Information

### Office of the U.S. Trade Representative Website:

### GSP guidebook, lists of GSP-eligible and ineligible products, notices:

http://www.ustr.gov/Trade Development/Pr eference Programs/GSP/Section Index.html

#### For Further Information

#### **U.S. Tariff Schedule:**

http://www.usitc.gov/tata/hts

Department of Homeland Security: Customs & Border Protection:

http://www.customs.gov/xp/cgov/import/

□ Customs Entry Form 7501:

https://forms.customs.gov/customsrf/get
formharness.asp?formName=cf-7501form.xft

□ http://www.customs.treas.gov/xp/cgov/t
oolbox/ publications/

#### For Further Information

### Potential exports to the U.S. and elsewhere:

http://www.intracen.org/menus/co untries.htm